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The Jacobs Report

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FAST-TRACK CIGARETTE TAX ALREADY LAW

For most of last week, it looked like the legislative standoff over the cigarette tax might last long into the summer. Then, in a flurry of moves catalyzed by a compromise amendment in the Senate, a new version of House Bill 5632 made it through both chambers of the Legislature and to the governor for signature in a matter of days.

The 75 cent a pack increase had reluctant bi-partisan support in the Senate, but Democrats and Republicans could not come to an agreement over how revenues from the new tax should be allocated. Democrats, lead by Governor Granholm, wanted the money earmarked for Medicaid and Healthy Michigan anti-smoking programs. Ms. Granholm has recommended the tax increase be used to prop up the Medicaid program, which is straining under rising caseloads. Republicans preferred that it all go to the general fund for disbursement.

Tuesday, it appeared that neither side would budge when Senator Michael Switalski (D-Roseville) offered an amendment that initially appeared innocuous, but in the end proved to be a sudden and surprising move towards common ground. Under the Switalski amendment, 100 percent of the cigarette tax revenue will be allocated to the Medicaid Benefits Trust Fund for the remainder of the current fiscal year and for the 2004-05 fiscal year. Beginning with FY 2005-06, 75 percent of the tax revenues will be allocated to Medicaid with 25 percent allocated to the state's general fund. Republicans had hoped to require \$35 million of the funding to go to Life Sciences Corridor funding, but that provision was not included.

Following praise from Senate Majority Leader Ken Sikkema (R-Wyoming) and the Granholm Administration, the Senate moved to pass the new version of HB 5632 with the minimum needed votes (20-15).

The House followed suit on Wednesday, passing the bill by a minimum tally of 55-52. Thirteen Republicans joined 42 Democrats to pass the bill (Republican Reps. Tom Casperson of Escanaba, Judy Emmons of Sheridan, Doug Hart of Rockford, Rick Johnson of LeRoy, Larry Julian of Lennon, Jerry Kooiman of Grand Rapids, Gary Newell of Saranac, Mike Pumford of Newaygo, Randy Richardville of Monroe, Scott Shackleton of Sault Ste. Marie, Marc Shulman of West Bloomfield, Susan Tabor of Delta Township and Howard Walker of Traverse City).

Two Democrats (Reps. Jennifer Elkins of Lake and Doug Spade of Adrian) and 50 Republicans opposed the tax increase. Two lawmakers didn't vote.

The House version added language to require the state to distribute nicotine patches as part of its Healthy Michigan efforts. The Senate quickly confirmed the House change to HB 5632 on Thursday, sending the measure to the governor for her signature, which she gave at about 2:30 p.m.

For the remainder of this fiscal year, the increase on cigarettes and other tobacco products should raise some \$97 million, and \$313 million in 2004-05. While the increase will play a major role in helping resolve the state's budget problems, it is no structural solution. For the remainder of the current fiscal year, the state still has to close \$150 million shortfall, and for the 2004-05 fiscal year the state still has to struggle with a \$1 billion shortfall.

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In approving the House changes to HB 5632, six majority Republicans - Majority Leader Ken Sikkema of Wyoming, Tom George of Portage, Shirley Johnson of Royal Oak, Wayne Kuipers of Holland, Bill Hardiman of Kentwood and Gerald Van Woerkom of Norton Shores - joined 14 Democrats to send the bill to Ms. Granholm. Sen. Jim Barcia of Bay City was the only Democrat to vote against the bill.

In three days, an increase in Michigan's cigarette tax went from a legislative impasse to state law.

The new tax rate takes effect on July 1, when the tax on a pack of cigarettes in Michigan will become the second highest in the nation, jumping from \$1.25 to \$2 a pack.

BUDGET TALKS RESUME

Passage of the tobacco tax led to the reconvening of budget discussions. No agreements between lawmakers and administration officials were reached on Thursday, but new target meetings are a positive sign towards meeting a tentative budget deadline of July 4.

CONTROVERSIAL STATE FAIR BILL REPORTED OUT OF COMMITTEE

Despite pleas from Detroit, Ferndale and Hazel Park residents, the Senate Agriculture, Forestry and Tourism Committee passed a version of SB 1130 that would transfer the Michigan State Fair from the Department of Agriculture to the Department of Management and Budget, allowing for more autonomous control of the fairgrounds. A provision allowing for local control over State Fair events was stripped from the bill, and subsequent efforts to add local protections by amendment were defeated on straight-party votes.

The substitute version adopted Thursday would establish an eleven-member authority board to issue bonds through fair revenues for capital improvements; appoint a local advisory council and require one meeting a year with the group; and develop a newsletter for the public and post it on a Web site. The revised bill also bans racing and gaming, addressing a major concern raised by residents at the meeting.

Residents agreed that such provisions were a step in the right direction, but years of secrecy regarding the activity of the fairgrounds under the current manager, including a proposal to build a racetrack and outdoor amphitheater, makes them weary of trusting an even more autonomous group.

"Whatever is sprung on us happens to us," Sen. Buzz Thomas (D-Detroit) said of the little communication between the fairground council and residents. Sen. Thomas, who lives a quarter of a mile away from the fairgrounds, offered several amendments aimed at protecting local interests that were subsequently defeated.

Committee Chair Sen. Gerald Van Woerkom (R-Muskegon) said the new authority would not be as secretive, and that the Senate's confirmation requirement of the group's members allows the public to keep close tabs on who will be running the fair.

Residents still said they do not trust the authority's power to hand select the local advisory board, and that one meeting a year with the public is insufficient.

Committee Republicans said the point of the legislation is to make the fair self-sufficient, which means the authority needs to have power in developing private enterprises on the fairgrounds.

But committee Democrats criticized that argument by saying residents make up the majority of people using the fairgrounds, and that connecting with their needs should be a priority.

"Working in partnership with the community creates a stable customer base," Sen. Thomas said.

Senator Liz Brater (D-Ann Arbor), expressed concern for families living in the area. "We're giving lip service to this cool cities concept with this," she said. "Detroit is our flagship city whether we like it or not and we're talking

about imposing the state's will on it. What is the purpose of the state if it's not to promote the health and well being of its citizens?"

Sen. Gilda Z. Jacobs (D-Huntington Woods), who represents areas affected by SB 1130, also attended the hearing. "The Legislature really needs to consider what's good for the area over the long haul. I'm very concerned about the neighborhoods surrounding the State Fair. This is a model community, yet their future seems to be in the hands of persons living on the other side of the state. At the very least, my colleagues should entertain language allowing for more local control of what goes on here."

Mr. Van Woerkom said that further proposals would be considered on the Senate floor so that the fair would not be a "bad neighbor."

LEGISLATORS QUESTION DIFT CLEAN AIR IMPACT

Citing risks of increased illnesses and possible deaths, Sen. Gilda Jacobs (D-Huntington Woods) and Rep. Andy Meisner (D-Ferndale) joined Senate and House colleagues in calling on the Federal Highway Administration (FHWA) to perform a more rigorous air study, including a health impact study, of the proposed Detroit Intermodal Freight Terminal (DIFT). The DIFT, a consolidated truck-rail freight terminal project proposed for Ferndale, Detroit and Dearborn, is currently being studied by the Michigan Department of Transportation.

"As public servants, it is our responsibility to protect the health and ensure the quality of life for our residents and children," Jacobs said. "We are asking the government to support us in our efforts to do exactly that."

The DIFT is expected to experience increased truck traffic of up to 5,000 truck trips a day if implemented.

"Diesel fumes and particulate matter can lead to reduced lung function, asthma exacerbation, cancer and cardiopulmonary problems, especially in children and the elderly," Jacobs said. "The additional diesel exhaust from the increased truck traffic would drastically impact our communities. Our residents deserve to be protected."

Metro Detroit asthma rates are currently at 17%, which is significantly higher than the estimated 9% statewide and 7% nationally, according to the Centers for Disease Control. University of Michigan researchers studying asthma in Southwest Detroit children have linked increases in particulate matter and ozone to worsening symptoms in children with moderate to severe asthma.

"The link between air quality and respiratory disease has been demonstrated," Jacobs said. "We simply must protect the health of our children and residents from any possible adverse effects."

All Michigan legislation can be tracked at <http://www.legislature.michigan.gov/>.

State Senator Gilda Jacobs represents the 14th Senate District, which includes Beverly Hills, Bingham Farms, Farmington, Farmington Hills, Ferndale, Franklin, Hazel Park, Huntington Woods, Lathrup Village, Oak Park, Pleasant Ridge, Royal Oak Township, Southfield, and Southfield Township. She is the Minority Vice Chair of the Families & Human Services Committee and the Economic Development, Small Business & Regulatory Reform Committee. She also serves on the Government Operations and Health Policy Committees.

Constituents of the 14th District may contact Senator Jacobs at sengjacobs@senate.michigan.gov or toll-free at 1-888-937-4453.

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